



CONCLUSIONS AND RECOMMENDATIONS OF THE CONTINENTAL SEMINAR HELD IN LILONGWE, MALAWI FROM 10-12 MAY, 2010

The Association of African Central Banks continental seminar was held in Lilongwe, Malawi from May 10 to 12, 2010. Deliberations coalesced around the theme "Lessons Africa should learn from the International Financial Crisis: Mechanisms for Prevention and the Coordination of Responses".

The meeting, which was officially opened by the Minister of Finance, Hon Ken Kandodo, was attended by participants from 21 Central Banks, representatives of international and regional organizations, commercial banks and government officials. The keynote address was delivered by the Governor of the Bank of Zambia, Dr. Caleb Fundanga. The seminar proceeded with plenary sessions as well as workshops on the following sub-themes:

- Presentations in plenary sessions on:
 - > The International Financial Crisis, its causes and implications;
 - > Country Experiences on the management of the crisis.
- Workshops on:
 - > Supervision and control tools for banking and financial systems: what early warning indicators;
 - > Institutional framework for an effective supervision and safeguard system: role of the various institutions concerned;
 - > Central bank support to states within the framework of recovery plans and alignment with AMCP convergence criteria.

After fruitful deliberations, participants observed that:

- Strong fundamentals, structural reforms and macroeconomic stability mitigated somewhat the effects of crisis;
- Africa was generally resilient to the direct effects of the global crisis due among others to limited integration to international financial markets, partial liberalization of capital accounts and absence of toxic assets;
- Most African countries were adversely affected by the second round effects of the crisis manifested in slowdown in economic activity, weak demand and price for exports, loss of international reserves, widening of both fiscal and current account imbalances, declining capital flows, weak participation on the stock exchange, loss of confidence, tight credit conditions and reduction of remittances;
- The crisis provided fresh impetus for decisive interventions at national, regional and continental levels. In particular, the following responses were generally observed:
 - Accommodative fiscal and monetary policies (e.g. fiscal stimulus packages and injection of liquidity);
 - Establishment of high level steering committees to ascertain the effects of the crisis;
 - Government guarantee schemes;
 - Minimal intervention in exchange rate markets;
 - Loan rescheduling and loss compensation schemes;
 - Establishment of asset management schemes;
 - Increased attention to financial stability analyses;
 - Review of transmission mechanisms.

From the generally rich and informative discussions, the following pertinent lessons and recommendations emerged:

- Strong macroeconomic fundamentals are essential for crisis-preparedness and so countries must restore macro stability, confidence and rebuild growth;
- Coordination of fiscal and monetary policies is key hence the need for sustenance;
- Review of banking supervision and regulatory frameworks;
- Establishment of financial stability and financial intelligence units to intensify surveillance and oversight of the banking systems;
- Establishment of credit reference bureaus for reducing information asymmetry;
- Improve domestic resource mobilization in order to mitigate capital reversal flows;
- Complementing micro-prudential regulation with macro-prudential regulation;
- Shoring up foreign exchange reserves by among others formalizing the informal remittance channels through reduction in transactions costs and improvement of the payment systems;
- Instituting measures to reduce speculation in the foreign exchange market;
- Building capacity in macroeconomic management and surveillance of financial institutions;
- Increased dialogue and information sharing among AACB member states and other institutions;
- Enhancing effective supervision without inhibiting financial innovation;
- More emphasis on regional integration efforts;
- Impetus for countries to accelerate reforms.

The seminar also supports the organization of a workshop on an African Approach to Implementation of International Standards for Banking Supervision and BASEL Capital Framework in collaboration with the AfDB and MFW4A donor partners.

ASSOCIATION OF AFRICAN CENTRAL BANKS (AACB)

LILONGWE, MALAWI

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